

ZTO Express (ZTO US/2057 HK)

1Q25 earnings below expectation; further pricing pressure on parcel ahead

ZTO Express (ZTO)'s 1Q25 core net profit grew 5% YoY to RMB1.96bn, based on our calculation. In particular, such increase was only supported by RMB407mn (+2.4x YoY) government subsidies and tax rebates, which are likely to be one-off in nature. With ASP dropping 8% YoY in 1Q25, ZTO's parcel volume growth (19.1%) was still lagging behind the industry average (21.6%) and all the major players. We see further ASP pressure if ZTO has to achieve the full-year parcel volume of 40.8-42.2bn (20-24% YoY growth). We slash our 2025E-27E earnings forecast by 18-21%, largely due to lower parcel ASP assumptions. We lower our target multiple to 15x (previously 18x), based on 1SD below historical average (previously 0.5SD), in order to reflect the price competition and slowdown in earnings. Our TP for ZTO US/2057 HK is revised down to US\$22.2/HK\$174 (previously US\$32.6/HK\$256). That said, we still keep our **BUY** rating as we expect ZTO is still managed to generate strong free cash flow to support its semi-annual dividend payment and share buyback programme.

Key highlights in 1Q25 results:

- **Core net profit grew only 5% YoY to RMB1.96bn**, driven by 9% revenue growth but offset by unit gross profit contraction of 25% YoY (to RMB0.31/parcel). EBIT was up 6% YoY but largely helped by government subsidies and tax rebates. Reported net profit grew 40% YoY to RMB1.99bn, due to a low base last year (impairment of RMB478mn in 1Q24). Excluding this item, the core net profit grew 5% only.
- **ZTO's ASP dropped 8% YoY**. ASP in 1Q25 dropped RMB0.11/parcel (or 8%) YoY to RMB1.25/unit (breakdown: KA +RMB0.12, parcel weight - RMB0.06, volume incentives -RMB0.16).
- **Parcel volume grew 19% YoY to 8.54bn units**. Market share in 1Q25 was 18.9% (down 0.4ppts YoY and 0.1ppts QoQ). We believe that ZTO will need to take a more aggressive pricing approach to boost market share going forward.
- **Unit cost dropped 0.4% YoY to RMB0.94/parcel**. Unit cost of transportation decreased RMB0.06 (or -13% YoY) to RMB0.41/parcel, helped by economies of scale, improved load rate and decrease in diesel prices. Unit cost of sorting hubs dropped RMB0.03 (or 10% YoY) to RMB0.27, helped by scale and the increase in automation level. Other unit cost surged RMB0.10/unit (or 61%) YoY to RMB0.25/unit, due to increase in KA cost.

Earnings Summary - ZTO US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	38,419	44,281	50,633	56,945	63,602
YoY growth (%)	8.6	15.3	14.3	12.5	11.7
Adjusted net profit (RMB mn)	8,579.0	9,555.8	8,793.7	9,527.4	10,539.7
EPS (Adjusted) (RMB)	10.62	11.45	10.85	11.76	13.01
Consensus EPS (RMB)	na	na	12.66	14.23	0.00
P/E (x)	11.7	12.0	11.6	10.7	9.7
P/B (x)	1.7	1.6	1.5	1.4	1.3
Yield (%)	3.5	3.8	3.9	4.2	4.6
ROE (%)	15.4	14.6	13.7	13.7	14.0
Net gearing (%)	(41.6)	(40.0)	(41.3)	(42.8)	(46.3)

Source: Company data, Bloomberg, CMBIGM estimates

ZTO US	2057 HK
BUY	BUY
Maintain	Maintain

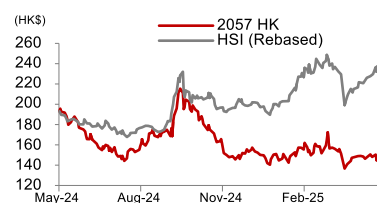
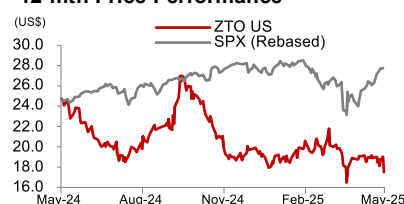
TP	US\$22.20	HK\$174.00
Prior TP	US\$32.60	HK\$256.00
Up/Downside	26.9%	20.5%
Current Price	US\$17.5	HK\$144.4

China Logistics Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

12-mth Price Performance



Source: FactSet

Stock Performance

	ZTO US		2057 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	-6.7%	-19.3%	-2.4%	-15.7%
3-mth	-15.8%	-15.1%	-10.9%	-16.5%
6-mth	-11.7%	-11.9%	-7.9%	-26.9%

Source: FactSet

Stock Data

(LC)	ZTO US	2057 HK
Mkt Cap (mn)	14180.94	117013
Avg 3 mths t/o (mn)	31.27	373.84
52w High	26.99	215.4
52w Low	16.51	136.6
Issued Shares (mn)	810.3392	810.3392

Source: FactSet

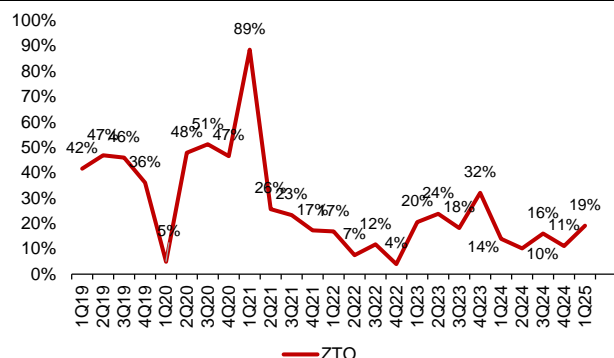
Related reports:

1. Shifting back to volume growth strategy – 19 Mar 2025 ([link](#))
2. Still positive on profitable growth strategy despite lower volume guidance – 20 Nov 2024 (ZTO US: [link](#)) (2025 HK: [link](#))
3. 2Q24 core earnings +10% with stable unit margin – 21 Aug 2024 (ZTO US: [link](#)) (2057 HK: [link](#))
4. 1Q24 core earnings beat estimates; Shifted to profitable growth strategy – 16 May 2024 (ZTO US: [link](#)) (2057 HK: [link](#))

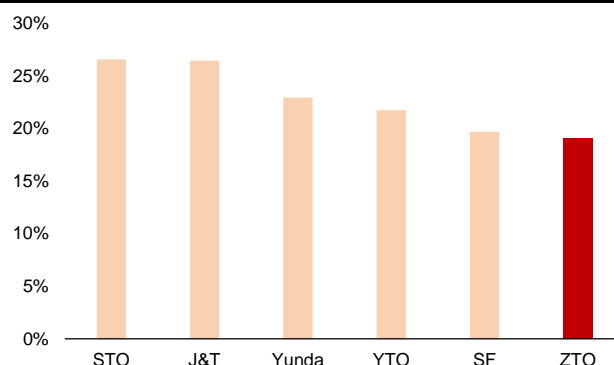
Figure 1: ZTO's 1Q25 results

(RMB mn)	1Q24	1Q25	Change YoY	2Q23	2Q24	Change YoY	3Q23	3Q24	Change YoY	4Q23	4Q24	Change YoY
Total revenue	9,960	10,891	9.4%	9,740	10,726	10.1%	9,076	10,675	17.6%	10,619	12,920	21.7%
Cost of sales	-6,958	-8,202	17.9%	-6,436	-7,105	10.4%	-6,369	-7,340	15.2%	-7,491	-9,160	22.3%
Gross profit	3,002	2,689	-10.4%	3,304	3,620	9.6%	2,706	3,335	23.2%	3,128	3,760	20.2%
Other income	161	454	181.3%	79	188	137.7%	151	52	-65.8%	327	349	6.7%
SG&A expenses	-897	-738	-17.7%	-505	-593	17.5%	-434	-545	25.6%	-700	-656	-6.4%
EBIT	2,267	2,405	6.1%	2,879	3,215	11.7%	2,424	2,842	17.3%	2,755	3,453	25.3%
D&A	786	827	5.2%	705	755	7.1%	745	731	-1.8%	739	751	1.6%
EBITDA	3,053	3,232	5.9%	3,584	3,970	10.8%	3,168	3,573	12.8%	3,494	4,204	20.3%
Net finance income/(expense)	161	130	-19.6%	95	172	81.5%	163	172	5.9%	140	150	7.6%
Finance income	245	198	-19.0%	167	288	72.4%	246	239	-3.2%	201	222	10.2%
Finance expenses	-84	-69	-17.9%	-72	-116	60.4%	-84	-66	-20.8%	-62	-72	16.1%
Gain/(loss) on disposal of subsidiaries	0	0	n/a	-1	12	n/a	11	-1	n/a	-5	-21	362.2%
Impairment of investment in equity investees	-478	0	n/a	0	-194	n/a	0	0	n/a	0	-259	n/a
Fair value changes of financial instruments	43	37	-14.3%	52	55	6.2%	9	-63	n/a	-51	168	n/a
FX gain/(loss)	5	-4	n/a	81	15	-81.3%	5	-38	n/a	18	-0	n/a
Share of profit of JV and associates	16	3	-80.4%	0	4	3410.6%	11	22	107.5%	-10	15	n/a
Pretax profit	2,014	2,571	27.6%	3,106	3,279	5.6%	2,621	2,934	11.9%	2,846	3,506	23.2%
Income tax	-566	-532	-6.1%	-576	-665	15.5%	-271	-555	104.5%	-637	-1,059	66.4%
After tax profit	1,448	2,039	40.8%	2,530	2,614	3.3%	2,350	2,379	1.3%	2,210	2,447	10.7%
MI	-22	-46	111.7%	11	-2	n/a	-4	17	n/a	-18	-64	266.2%
Net profit	1,426	1,993	39.8%	2,541	2,612	2.8%	2,345	2,396	2.2%	2,192	2,383	8.7%
Core net profit	1,862	1,956	5.1%	2,490	2,740	10.0%	2,326	2,460	5.8%	2,248	2,494	11.0%
Ratios:			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>			<i>ppt</i>
Gross margin	30.1%	24.7%	-5.5	33.9%	33.8%	-0.2	29.8%	31.2%	1.4	29.5%	29.1%	-0.4
EBIT margin	22.8%	22.1%	-0.7	29.6%	30.0%	0.4	26.7%	26.6%	-0.1	25.9%	26.7%	0.8
After tax profit margin	14.5%	18.7%	4.2	26.0%	24.4%	-1.6	25.9%	22.3%	-3.6	20.8%	18.9%	-1.9
Effective tax rate	28.1%	20.7%	-7.4	18.5%	20.3%	1.7	10.4%	18.9%	8.6	22.4%	30.2%	7.8

Source: Company data, CMBIGM

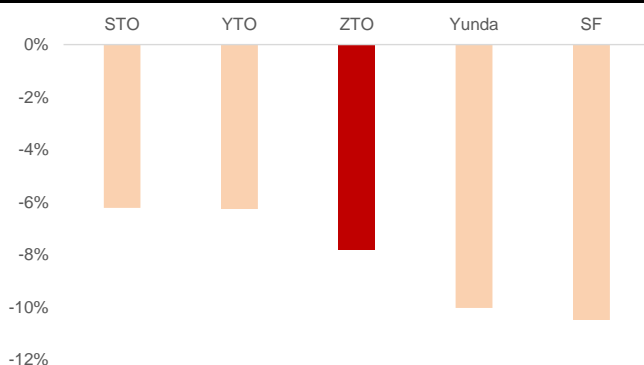
Figure 2: ZTO's quarterly parcel volume growth (YoY)

Source: Company data, CMBIGM

Figure 3: Major players' parcel volume growth in 1Q25

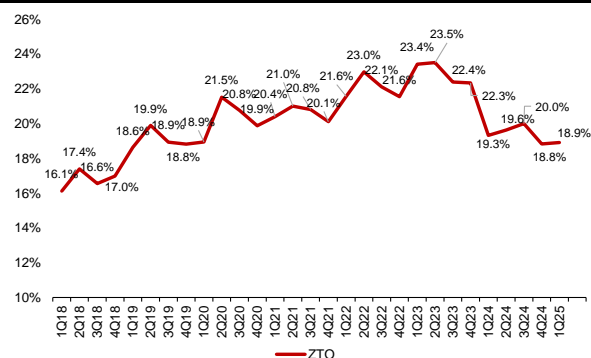
Source: Company data, CMBIGM

Figure 4: Major players' ASP change (YoY) in 1Q25



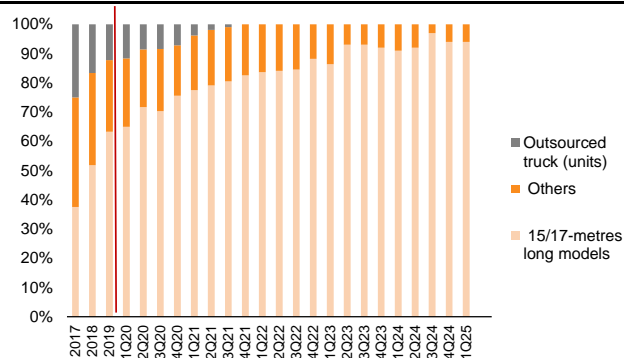
Source: Company data, the State Post Bureau, CMBIGM

Figure 5: ZTO's market share in China in terms of parcel volume



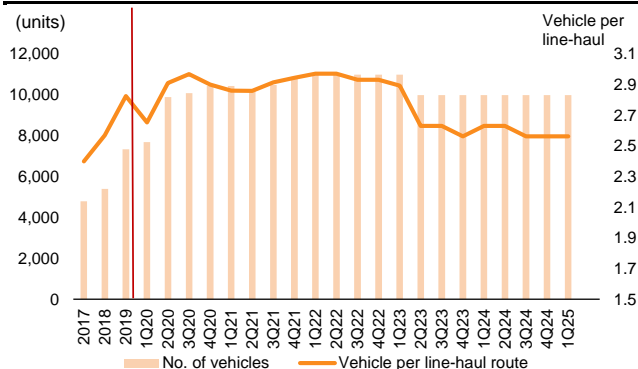
Source: Company data, CMBIGM

Figure 6: ZTO's self-owned high-capacity truck ratio



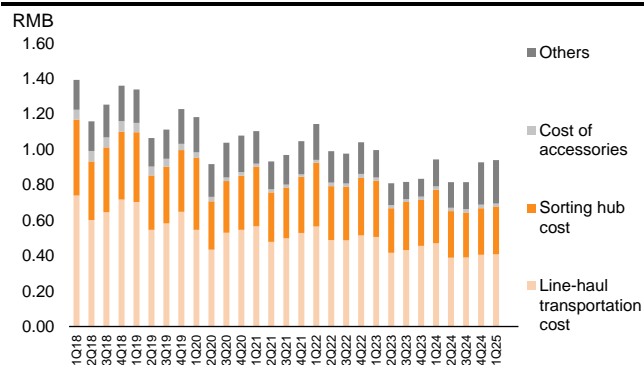
Source: Company data, CMBIGM

Figure 7: ZTO's number of vehicles per line-haul route



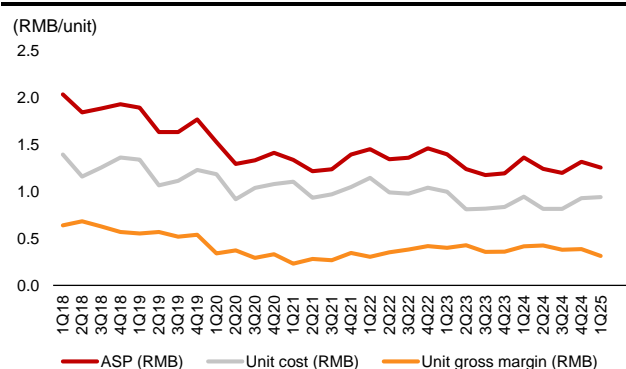
Source: Company data, CMBIGM

Figure 8: ZTO's unit cost breakdown



Source: Company data, CMBIGM

Figure 9: ZTO's ASP, unit cost & unit gross margin



Source: Company data, CMBIGM

Figure 10: Changes in key operating assumptions

	Old			New			Change		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Shipment volume (mn units of parcel)									
Unit of parcel	41,493	47,717	53,921	41,493	47,717	53,921	0.0%	0.0%	0.0%
ASP (RMB/unit)									
Per unit of parcel	1.24	1.23	1.21	1.20	1.18	1.16	-3.1%	-4.1%	-4.1%
Unit cost (RMB)									
Line-haul transportation cost	-0.39	-0.39	-0.39	-0.37	-0.36	-0.35	-5.2%	-8.1%	-10.8%
Sorting hub cost	-0.27	-0.27	-0.27	-0.25	-0.24	-0.23	-8.5%	-11.3%	-13.9%
Others	-0.18	-0.18	-0.18	-0.25	-0.26	-0.27	40.0%	47.0%	54.4%
Total	-0.86	-0.86	-0.86	-0.88	-0.88	-0.87	2.9%	2.2%	1.6%
Unit gross margin (RMB)	0.38	0.37	0.36	0.32	0.30	0.29	-16.7%	-18.6%	-17.6%
(RMB mn)									
Revenue									
Express delivery, accessories & others	51,354	58,467	65,407	49,766	56,086	62,743	-3.1%	-4.1%	-4.1%
Freight forwarding services	868	859	859	868	859	859	0.0%	0.0%	0.0%
Total	52,222	59,326	66,266	50,633	56,945	63,602	-3.0%	-4.0%	-4.0%
Revenue growth								ppt	
Express delivery, accessories & others	18%	14%	12%	15%	13%	12%	(3.7)	(1.2)	0.0
Freight forwarding services	-2%	-1%	0%	-2%	-1%	0%	0.0	0.0	0.0
Revenue	18%	14%	12%	14%	12%	12%	(3.6)	(1.1)	(0.0)
SG&A expense ratio	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	0.0	0.0	0.0
Net profit	10,754	11,994	13,116	8,794	9,527	10,540	-18.2%	-20.6%	-19.6%
Core net profit	10,754	11,994	13,116	8,794	9,527	10,540	-18.2%	-20.6%	-19.6%

Source: Company data, CMBIGM estimates

Figure 11: Earnings sensitivity to ASP and unit line-haul transportation cost

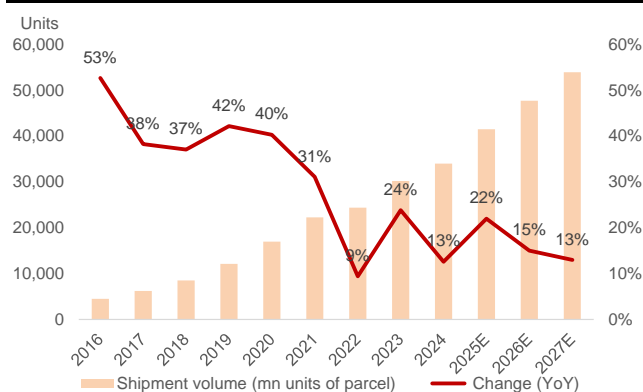
2025E Net profit (RMB mn)		ASP (RMB/unit)				
		1.14	1.18	1.20	1.22	1.26
	-0.392	6,396	7,482	8,206	8,930	10,017
	-0.381	6,748	7,834	8,559	9,283	10,369
Unit line-haul transportation cost (RMB)	-0.374	6,983	8,069	8,794	9,518	10,604
	-0.366	7,218	8,304	9,029	9,753	10,839
	-0.355	7,571	8,657	9,381	10,105	11,192

Source: Company data, CMBIGM estimates

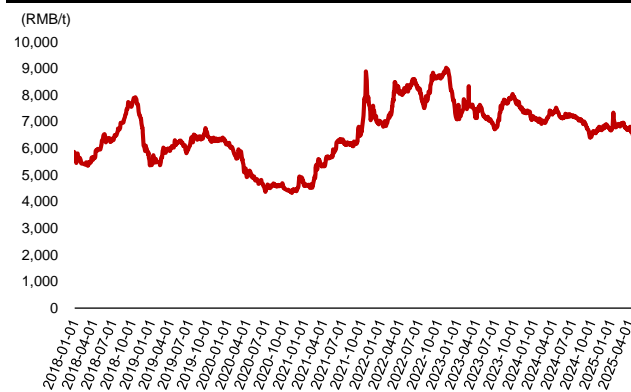
Figure 12: Earnings sensitivity to ASP and unit sorting hub cost

2025E Net profit (RMB mn)		ASP (RMB/unit)				
		1.14	1.18	1.20	1.22	1.26
	-0.257	6,598	7,684	8,408	9,132	10,219
	-0.250	6,829	7,915	8,639	9,364	10,450
Unit sorting hub cost (RMB)	-0.245	6,983	8,069	8,794	9,518	10,604
	-0.240	7,137	8,224	8,948	9,672	10,758
	-0.233	7,369	8,455	9,179	9,903	10,990

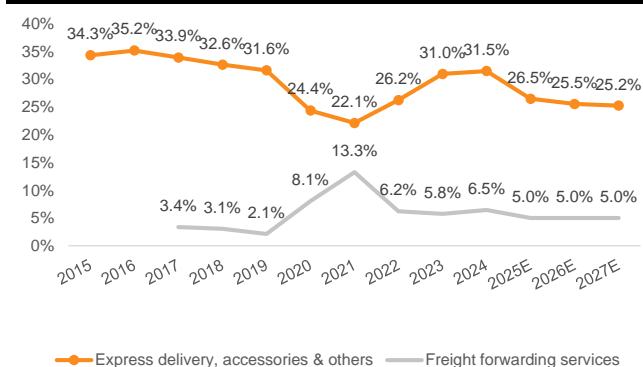
Source: Company data, CMBIGM estimates

Figure 13: ZTO's parcel shipment volume forecast

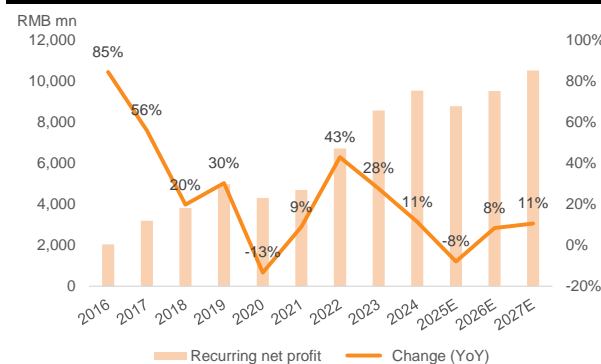
Source: Company data, CMBIGM estimates

Figure 14: China's diesel price

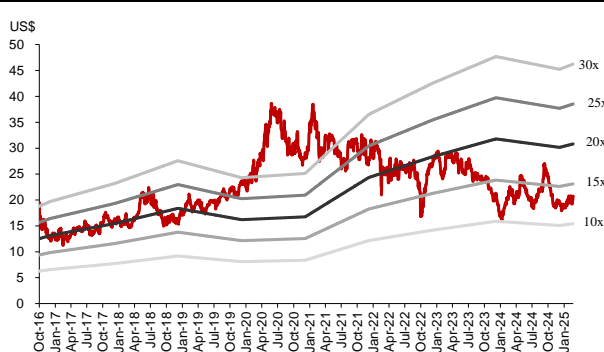
Source: Wind, CMBIGM

Figure 15: ZTO's gross margin trend

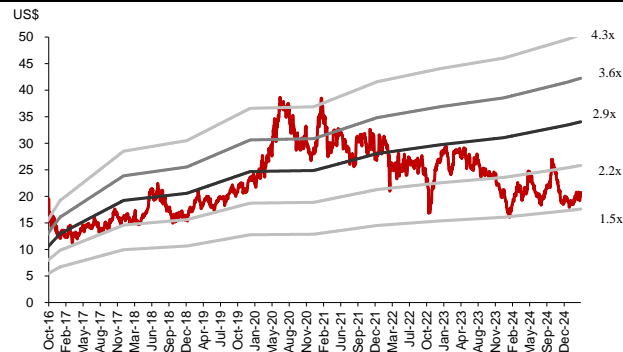
Source: Company data, CMBIGM estimates

Figure 16: ZTO's net profit forecast

Source: Company data, CMBIGM estimates

Figure 17: ZTO US's P/E band

Source: Bloomberg, company data, CMBIGM estimates

Figure 18: ZTO US's P/B band

Source: Bloomberg, company data, CMBIGM estimates

Major risk factors include: (1) a prolonged price war, and (2) further slowdown of overall consumption.

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	35,377	38,419	44,281	50,633	56,945	63,602
Cost of goods sold	(26,338)	(26,756)	(30,564)	(37,411)	(42,581)	(47,724)
Gross profit	9,039	11,663	13,717	13,222	14,364	15,878
SG&A expense	(2,077)	(2,425)	(2,690)	(3,038)	(3,417)	(3,816)
Others	775	771	750	1,013	1,139	1,272
Operating profit	7,736	10,008	11,777	11,197	12,086	13,334
Investment gain/loss	90	170	(739)	0	0	0
Share of (losses)/profits of associates/JV	6	4	57	10	11	12
Interest income	504	707	994	901	990	1,092
Interest expense	(191)	(290)	(338)	(371)	(371)	(371)
Net interest income/(expense)	313	417	656	530	619	721
Foreign exchange gain/loss	147	94	(18)	0	0	0
Pre-tax profit	8,292	10,693	11,733	11,737	12,716	14,067
Income tax	(1,633)	(1,939)	(2,845)	(2,934)	(3,179)	(3,517)
Minority interest	150	(5)	(71)	(9)	(10)	(11)
Net profit	6,659	8,754	8,888	8,802	9,537	10,550
Adjusted net profit	6,720	8,579	9,556	8,794	9,527	10,540
Gross dividends	2,063	3,592	4,056	3,957	4,287	4,743
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	24,475	26,954	30,354	32,118	37,083	41,576
Cash & equivalents	11,693	12,334	13,465	16,186	19,572	25,046
Account receivables	819	573	1,504	244	1,784	481
Inventories	41	28	39	64	53	78
Prepayment	862	822	784	784	784	784
Other current assets	11,061	13,197	14,562	14,841	14,891	15,187
Non-current assets	54,049	61,512	61,987	65,782	66,610	68,984
PP&E	28,813	32,181	33,915	36,039	36,962	37,485
Deferred income tax	750	880	985	985	985	985
Investment in JVs & assos	3,951	3,455	1,871	2,081	2,292	2,504
Intangibles	29	23	17	11	5	2
Goodwill	4,242	4,242	4,242	4,242	4,242	4,242
Other non-current assets	16,264	20,731	20,957	22,425	22,126	23,767
Total assets	78,524	88,465	92,340	97,900	103,693	110,560
Current liabilities	16,405	20,061	28,273	29,086	29,300	29,903
Short-term borrowings	5,394	7,766	9,514	9,514	9,514	9,514
Account payables	2,203	2,557	2,463	3,276	3,490	4,094
Tax payable	228	333	489	489	489	489
Other current liabilities	8,580	9,405	15,807	15,807	15,807	15,807
Non-current liabilities	7,646	8,124	1,392	1,392	1,392	1,392
Long-term borrowings	0	0	0	0	0	0
Obligations under finance leases	510	456	378	378	378	378
Other non-current liabilities	7,135	7,668	1,015	1,015	1,015	1,015
Total liabilities	24,051	28,185	29,665	30,479	30,692	31,296
Total shareholders equity	54,029	59,802	62,062	66,800	72,371	78,623
Minority interest	444	479	612	621	631	641
Total equity and liabilities	78,524	88,465	92,340	97,900	103,693	110,560

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	8,292	10,693	11,733	11,737	12,716	14,067
Depreciation & amortization	2,671	2,881	3,030	3,826	4,236	4,643
Tax paid	(1,633)	(1,939)	(2,845)	(2,934)	(3,179)	(3,517)
Change in working capital	1,498	700	(1,035)	657	(719)	280
Others	148	318	(446)	(540)	(630)	(733)
Net cash from operations	10,976	12,654	10,436	12,746	12,424	14,741
Investing						
Capital expenditure	(6,837)	(6,529)	(5,900)	(5,800)	(5,000)	(5,000)
Acquisition of subsidiaries/ investments	136	63	0	(200)	(200)	(200)
Others	(9,845)	(6,494)	(1,074)	401	490	592
Net cash from investing	(16,546)	(12,960)	(6,974)	(5,599)	(4,710)	(4,608)
Financing						
Dividend paid	(1,353)	(2,063)	(3,592)	(4,056)	(3,957)	(4,287)
Net borrowings	1,936	2,372	1,748	0	0	0
Proceeds from share issues	(85)	(1,006)	0	0	0	0
Others	6,560	(72)	(3,151)	(371)	(371)	(371)
Net cash from financing	7,058	(770)	(4,995)	(4,427)	(4,328)	(4,658)
Net change in cash						
Cash at the beginning of the year	9,721	11,693	12,334	13,465	16,186	19,572
Exchange difference	483	1,716	2,665	0	0	0
Cash at the end of the year	11,693	12,334	13,465	16,186	19,572	25,046
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	16.3%	8.6%	15.3%	14.3%	12.5%	11.7%
Gross profit	37.2%	29.0%	17.6%	(3.6%)	8.6%	10.5%
Operating profit	40.6%	29.4%	17.7%	(4.9%)	7.9%	10.3%
Net profit	41.6%	31.5%	1.5%	(1.0%)	8.3%	10.6%
Adj. net profit	43.0%	27.7%	11.4%	(8.0%)	8.3%	10.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	25.6%	30.4%	31.0%	26.1%	25.2%	25.0%
Operating margin	21.9%	26.0%	26.6%	22.1%	21.2%	21.0%
Adj. net profit margin	19.0%	22.3%	21.6%	17.4%	16.7%	16.6%
Return on equity (ROE)	13.0%	15.4%	14.6%	13.7%	13.7%	14.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.5)
Current ratio (x)	1.5	1.3	1.1	1.1	1.3	1.4
Receivable turnover days	23.0	17.3	16.1	16.3	16.5	17.0
Inventory turnover days	0.9	0.5	0.4	0.5	0.5	0.5
Payable turnover days	28.8	32.5	30.0	28.0	29.0	29.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	15.0	11.7	12.0	11.6	10.7	9.7
P/B	1.9	1.7	1.6	1.5	1.4	1.3
Div yield (%)	2.0	3.5	3.8	3.9	4.2	4.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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